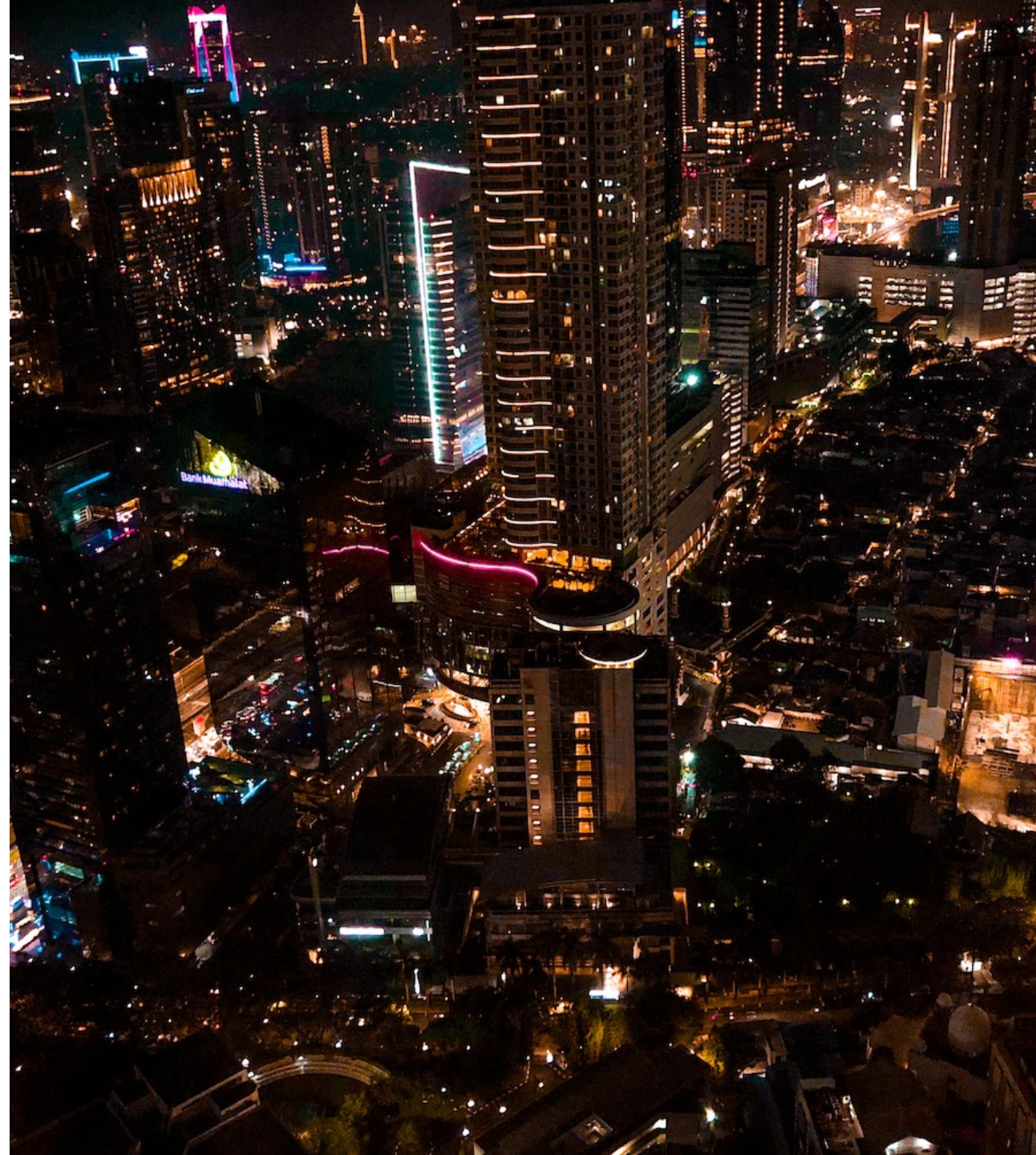


# Indonesia Offers Unique Potential for Investors

November 2022

**Wellington Capital**  
Advisory



# WE GUIDE INVESTORS IN LEVERAGING NEW BUSINESS OPPORTUNITIES IN INDONESIA

Wellington is a fully-independent advisory firm, staffed by senior executives with extensive operational experience in Indonesia and offering a broad spectrum of sector expertise. We guide domestic and foreign investors in addressing complex strategic and operational issues within their Indonesian portfolio companies – both existing and potential enterprises.

We work closely with investors - and the management teams within their portfolio companies - in order to revitalize go-to-market strategies, to improve operational performance and to drive sustainable enterprise value – and thereby ensuring their success in the largest economy in SE Asia.



**10+**  
years

In-Country  
Operations

**50+**  
years

Combined Partner  
Experience

**USD1.5**  
billion

Total Capital  
Advised

**30+**

Referenceable  
Clients

## CLIENTELES

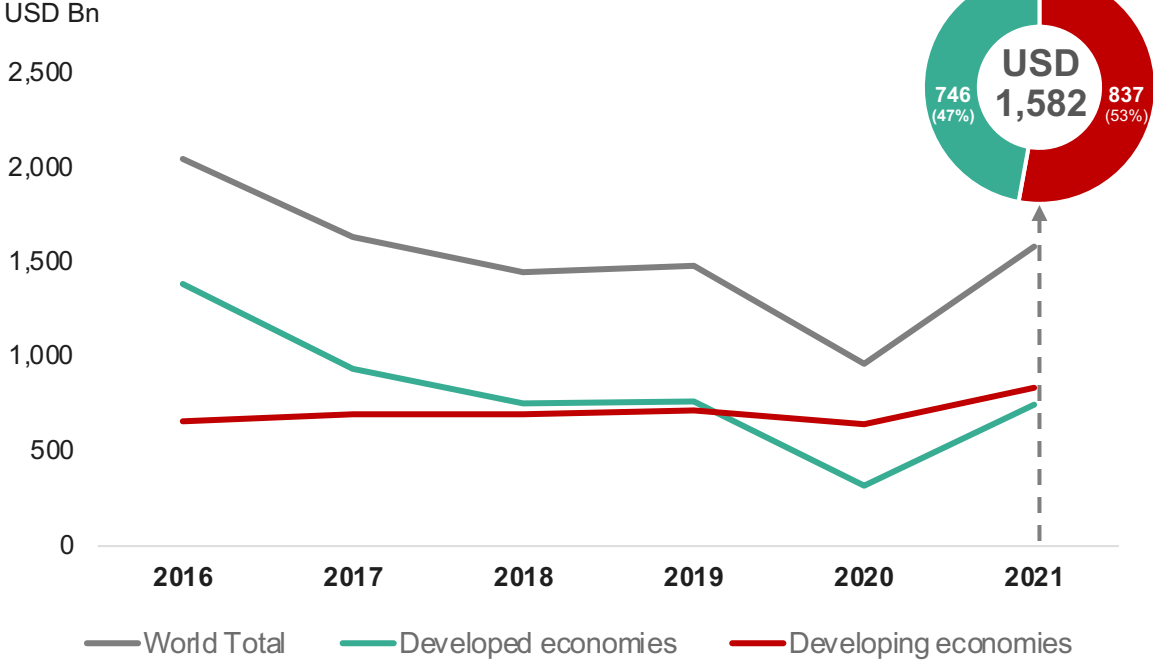




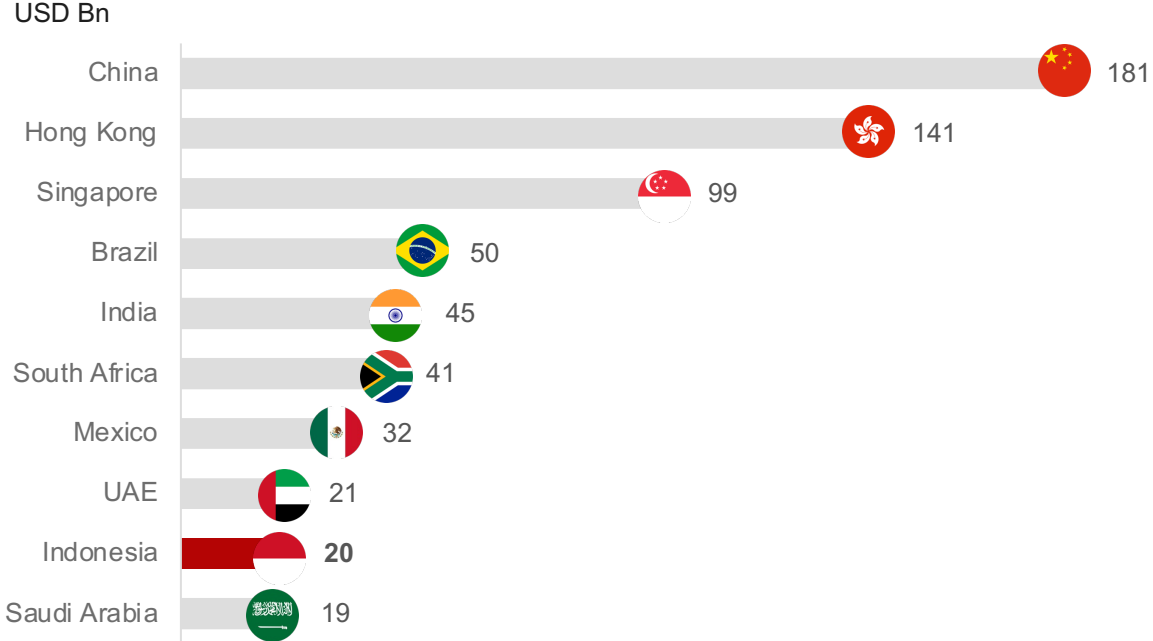
# Investor focus is shifting rapidly from developed countries to emerging economies

Indonesia is increasingly seen as a high-potential market for investors. With total investment of USD 20 Bn in 2021, Indonesia is ranked 9<sup>th</sup> amongst all developing countries in respect of aggregate FDI inflows

FDI Inflows by economic category (2016-2021)



Top 10 FDI Inflows for developing countries (2021)



## Primary FDI Constraints



COVID-19  
Pandemic



Geopolitical  
Tension

## Impact



Economic sanctions between Russia and Ukraine supporters



Supply shortages in energy and basic commodities



Broader macroeconomic impact and policy tightening

## Most Affected



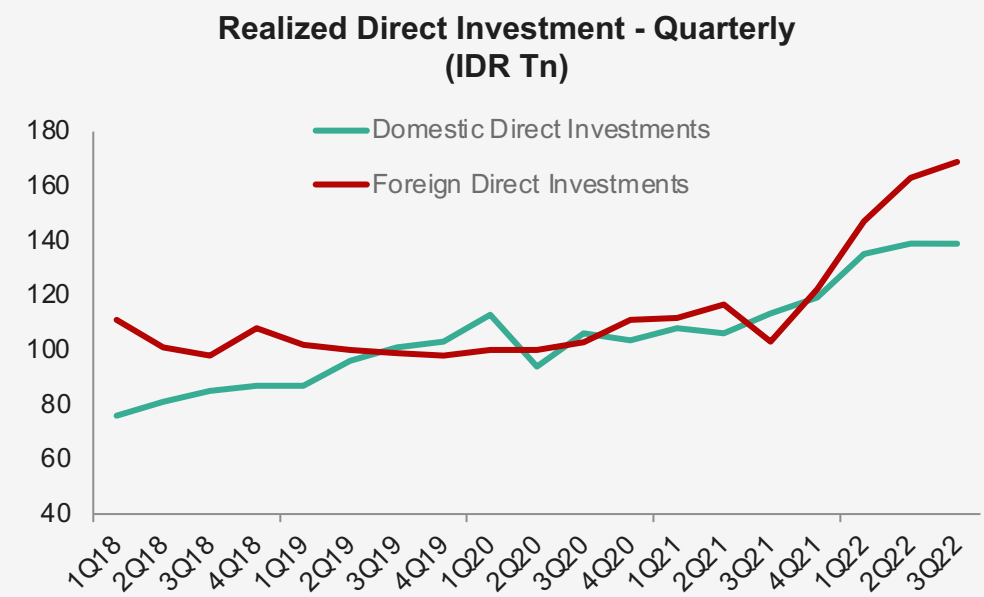
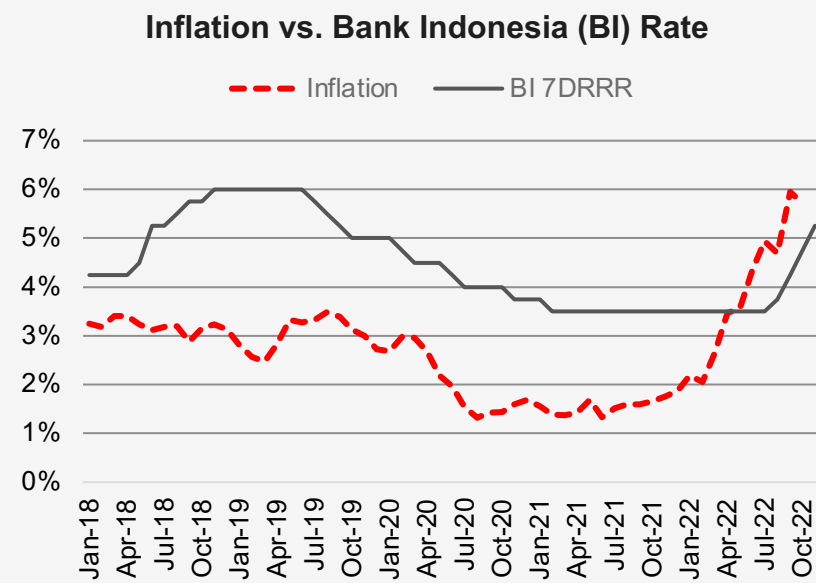
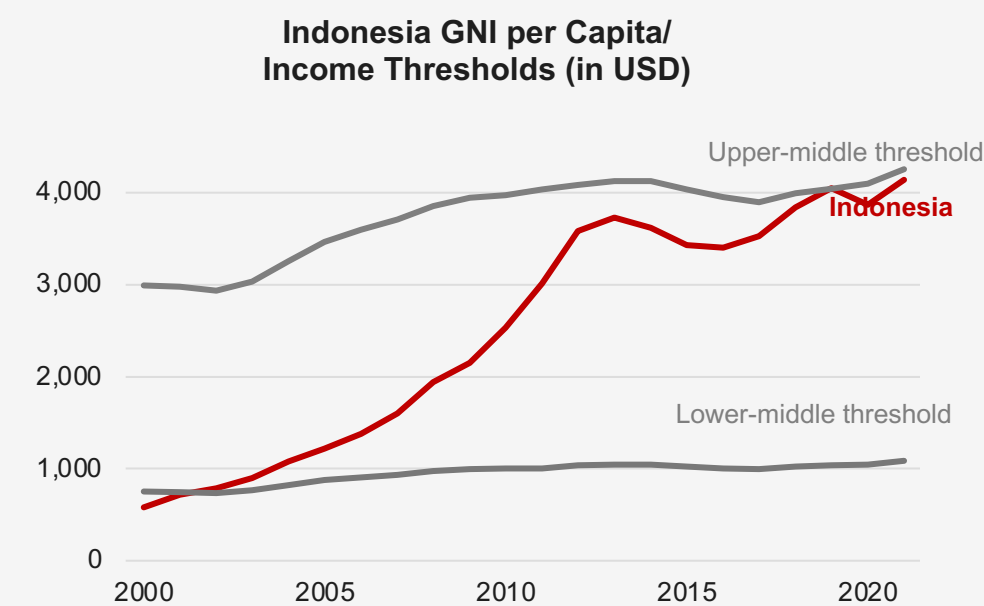
Mostly impacting developed world  
(Europe and North America)

# Indonesia: Current Economic Trends

The Indonesia economy continues to exhibit robust performance characteristics – in the face of global stagnation and enduring widespread uncertainty.

Sustained GDP growth, a stabilised inflation rate and the realized direct investment flows are all positive indicators for the remainder of 2022 and the transition to 2023.

However BI elected to raise the level of base interest rates, in order to stabilize exchange rates and to keep inflation in check. This move was in response to the aggressive policy stance adopted by the US Federal Reserve.



Source: Ministry of Investment, Bank of Indonesia (BI), Central Bureau of Statistics (BPS), IMF

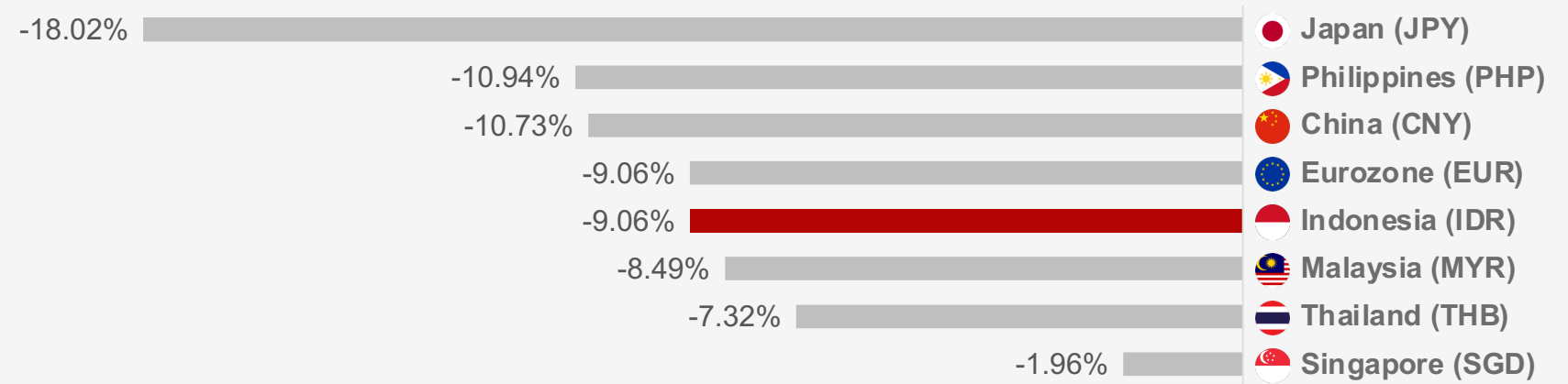
# Indonesia: Economic Policy Outlook

The weakening of the Indonesian Rupiah (IDR) is a consequence of the strengthening of the benchmark US dollar, due in turn to the aggressive tightening of monetary policy by the US Federal Reserve.

Notably, the depreciation of the Rupiah against the US dollar occurring in 2022 is still less pronounced (- 9%) than the corresponding performance of adjacent currencies such as the Japanese Yen (JPY: - 18%) and the Chinese Yuan (CNY: -11%).

Source: Antara News, Medcom.id

USD and local currencies YTD change (18 October 2022)



Note: A positive (negative) value for the foreign exchange rate indicates the appreciation (depreciation) of the local currency against the benchmark US Dollar

## Fiscal Perspective

- ❑ The government has set the 2023 Budget deficit limit at **3%**
- ❑ The Budget deficit for 2023 is being reduced to **2.84%** - after taking State budget requirements and State revenue optimization into account
- ❑ The government continues to improve the effectiveness of investment financing, especially for **State-owned Enterprises (SOEs) and the Public Service Agency (BLU)**

## Monetary Perspective

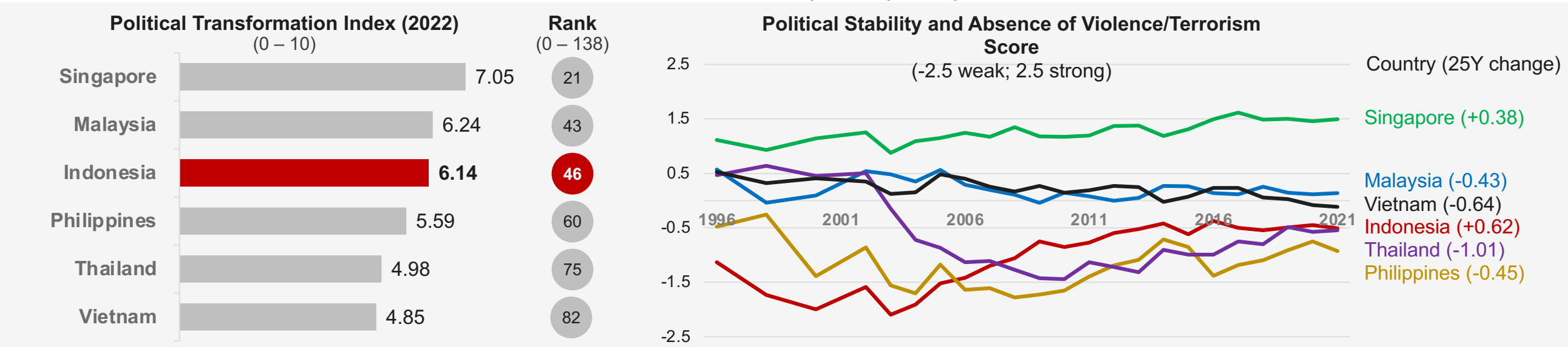
- ❑ Bank Indonesia (BI) is predicting that inflation levels will come close to their initial prognosis of 3% (+/- 1%) in 2023
- ❑ The Consumer Price Index (CPI) recorded in October 2022 was lower than forecast and represented a month-on-month decline of 0.11%,

## Trade Perspective

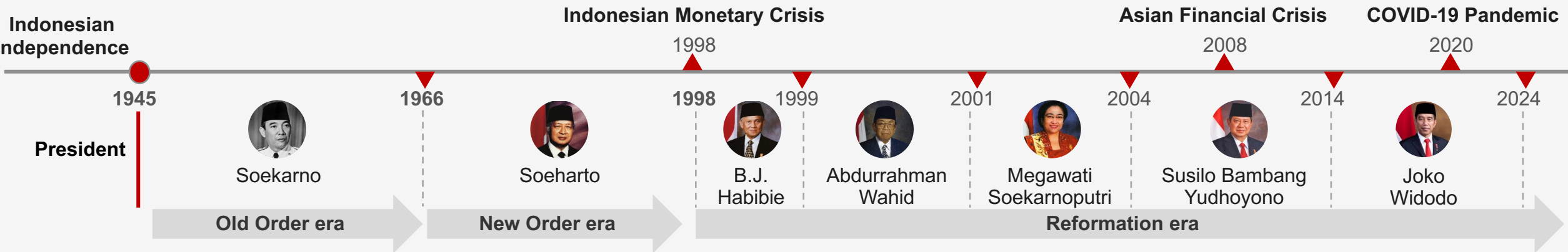
- ❑ Indonesia's trade balance posted a surplus of USD 5.67 billion in October 2022, with exports reaching USD 24.81 billion and imports totalling USD 19.14 billion
- ❑ The current trade surplus in for the period January to October 2022 exceeds the corresponding trade surplus for 2021 (USD 35.42 billion)
- ❑ Indonesia recorded the largest surplus in trading with India, USA and China

# Indonesia: Political and Socio-Economic Stability

Having secured political and social stability – coupled with macro-economic resilience - Indonesia is one of the most vibrant democracies in East Asia Pacific. The Government has fostered the public perception of an assured low-middle income nation.



- Since the 1998 Monetary Crisis ('KrisMon') - which heralded the Reformation era - Indonesia has undergone a major political transformation which is unique in Asia.
- Indonesia is now a thriving democracy with increasingly strong political institutions, a more liberated population and with a pathway to job-centred economic expansion
- The 'Demographic Dividend' - whereby the total working age group (people between 15 and 64 years old) comprises >70% of the total population - will remain until 2035



# Indonesia: Sector-based Opportunities

In an effort to stimulate more investors to contribute to Indonesia's economic development, the government has pinpointed priority sectors for investment.

Fiscal and non-fiscal incentives have been formulated for existing and intending investors.

Based on current realization trends, the 'down-streaming' of key commodity sectors - in particular base metals and processed metals <sup>(i)</sup> - is both a key driver of economic transformation and a significant boost to aggregate investment levels.

*(i) Base metals and processed metals account for ~15% of total investment in 2022*

Source: Ministry of Investment

## Government Priority Sectors

### Criteria

- ☐ National strategic project
- ☐ Capital intensive
- ☐ Labor intensive
- ☐ Advanced technology
- ☐ Pioneer industry
- ☐ Export-oriented
- ☐ Research, development, and innovation focus

### Sectors

1. Export-oriented labor-intensive industries (including healthcare industry)
2. Renewable energy
3. Infrastructure
4. Automotive (especially EV)
5. Tourism
6. Value-added mining

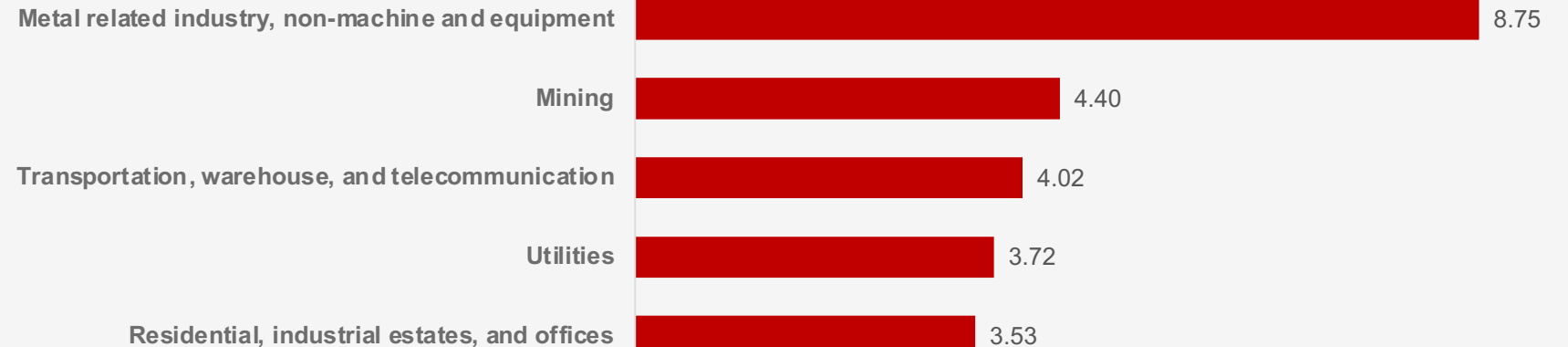
### Incentives

- ☐ Tax holidays
- ☐ Tax inducements
- ☐ Import duty exemptions
- ☐ Non-fiscal incentives

Note: Based on current Presidential Regulation No. 10 Year 2021

## Top FDI Realization by Sectors

Investment by sector | Jan to 2022 (USD Bn)





G20 PRESIDENCY OF INDONESIA

RECOVER TOGETHER  
RECOVER STRONGER



*The primary focus of the Indonesia G20 Presidency comprises post-Pandemic economic recovery with priority assigned to healthcare, digital transformation, and energy transition.*



Health Sector  
USD 1.5 B



Economic Sector  
USD 81.6 B



Energy Sector  
USD 20 B

Initiated  
**"Pandemic Fund"**  
Program

Initiated  
**"Resilience and Sustainability Trust"**  
under IMF

Initiated  
**"Just Energy Transition Partnership (JETP)"**  
for renewable energy transition in Indonesia

## Key Takeaways

**52** Formal Declarations:  
G20 Bali Leaders

**501** Actionable Deliverables:  
incl. new project commitments,  
project extensions, capacity  
building, grant funding,  
investment programs, etc.



## Investment Agreements from G20: Indonesia-related



### USA

- USD 2.5 Bn – ExxonMobil and Pertamina partnership
- USD 698 M – Millennium Challenge Program (MCC) for infrastructure and transportation sectors



### China

- USD 5 Bn – MoU partnership for electric vehicle development



### South Korea

- MoU : Green Infrastructure for New Capital City of Indonesia
- MoU : MRT Jakarta Phase 4



### Japan

- MoC : the continuation MRT Jakarta East-West Line Phase 1



### UK

- LoI : MRT Jakarta Development



### Turkey

- Bi-lateral agreement : Electric bus and Trans-Sumatra Toll Road



# INDONESIA IS ADVANCING AT PACE

- ❑ Check out our viewpoints on current and emerging trends
- ❑ New business opportunities abound across multiple market sectors
- ❑ Comparative advantage flows from a clear understanding of industry dynamics



WCA Team  
Aug 24 · 4 min

## Indonesia's Growing Stature on the Global Stage

In our last review of the Indonesian economy, we anticipated that the nation would “largely return to pre-COVID-19 conditions by 2022” -...



WCA Team  
Feb 9 · 3 min

## The Data Center Industry in Indonesia Is Finally Coming of Age

The Data Center industry in Indonesia is finally coming of age, having lagged behind more advanced markets such as Singapore, Malaysia...

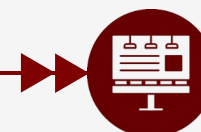


WCA Team  
Sep 23, 2021 · 2 min

## Micro, Small and Medium-Sized Enterprises (MSMEs) Are the Primary Engine of Growth for Indonesia

Sri Mulyani Indrawati, Indonesia's Finance Minister since 2016, describes the community of micro, small and medium sized enterprises...

see our other **Perspectives**





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